

Washington, D.C. - Citing the pressing need for streamlining and simplification of the student loan process, Congresswoman Melissa Bean (IL-08) joined her colleagues in the House today to pass the *Student Aid and Fiscal Responsibility Act (SAFRA)*, H.R. 3221, by a vote of 253 to 171. SAFRA meets Pay-As-You-Go principles and reduces subsidies to private lenders by \$87 billion over ten years. Savings are achieved by converting all new federal student lending to the stable, effective, and cost-efficient Direct Loan program, saving taxpayers \$10 billion over ten years, according to the Congressional Budget Office.

“As a parent of a college student, I recognize the increasing costs to both students and families and how complicated it is to complete federal financial aid forms,” said Rep. Bean. “This bill not only simplifies the FAFSA form; it also increases grants and affordability for community colleges and other educational programs.”

“During these economic times, our community colleges are a vital resource for workforce training. Enrollment in Illinois community colleges is up 4.2% this spring from a year ago and is one of the highest enrollments in the past 35 years,” added Rep. Bean. “As a member of the Community College Caucus, I recognize the importance of the Community College Challenge Grant Program, included in this bill, and the additional investments in Pell Grants, Perkins Loans, and online training for those in between jobs in the current economic downturn.”

The Community College Challenge Grant Program is a competitive grant program empowering community colleges to improve instruction, partner with local employers, develop their student support services, and implement other innovative reforms that will lead to a college degree, certificate or industry-recognized credential to fulfill local workforce needs.

Key provisions in the bill:

- Beginning July 1, 2010, all new federal student loans will be originated through the Direct Loan program, instead of through lenders subsidized by taxpayers in the federally-guaranteed student loan program. Unlike the lender-based program, the Direct Loan program is entirely insulated from market swings and can therefore guarantee students access to low-cost federal college loans, in any economy.
- Makes it easier for families to apply for federal aid by simplifying the FAFSA form. The number of questions will be dramatically reduced by allowing students and families to apply for aid using the information on their tax returns.

- Expands access to education through free, high-quality, online training, high school and college courses.
- Strengthens the Perkins Loan program, a campus-based program that provides low-cost federal loans to students, by providing the program with more reliable forms of credit from the federal government and expanding the program to include significantly more college campuses.
- Invests \$40 billion to increase the maximum annual Pell Grant scholarship to \$5,550 in 2010 and to \$6,900 by 2019. Starting in 2011, the scholarship will be linked to match rising costs-of-living by indexing it to the Consumer Price Index plus 1 percent.
- Keeps interest rates low on need-based – or subsidized – federal student loans by making the interest rates on these loans variable beginning in 2012. These interest rates are currently set to jump from 3.4 percent to 6.8 percent in 2012.
- Provides loan forgiveness for members of the military who are called up to duty in the middle of the academic year.